

Taylorsville ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

April 10, 2026

CHAIRMAN:
Hank Bauer

Taylorsville ABC Board
Jason Durmire, Chair
42 NC Highway 16 S.
Taylorsville, NC 28681

COMMISSIONERS:
La'Tanta (L.T.) McCrimmon
Raleigh

David Sherlin
Raleigh

Chairperson Durmire,

DEPUTY COMMISSIONER:
Mike DeSilva

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Taylorsville ABC Board. The report consists of an overview of the objectives & background summary, financial analysis and findings, and a summary of actions recommended based upon your board's performance and related findings. Additional considerations are listed as well to provide further guidance and enhance awareness to promote ABC board success.

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Please reach out if you have any questions or require assistance in implementing any of the statute requirements, Commission rules, or other recommendations included in the report. On behalf of the North Carolina ABC Commission, I thank you and your staff for your assistance and cooperation in conducting this periodic review. We appreciate the continued efforts by your board to comply with the performance standards, as well as the board's commitment to increase profitability and reduce expenses.

If we can be of assistance in the future, please do not hesitate to reach out to the Commission staff.

Respectfully,

Michael DeSilva
Deputy Commissioner

OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

In addition to regular and special financial audits, G.S. 18B-705(a) authorizes the NC ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvement.

The audits are designed to ensure that all local ABC Boards comply with established performance standards pursuant to G.S. 18B-203(a)(20). The audit's scope addresses compliance with ABC laws and rules, store appearance, operating efficiency, solvency, and customer service.

To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, Reports, and Administrative Policies
- Verify compliance with Commission and Board policies
- Verify results of previous performance audit recommendations
- Review ABC Board annual independent financial audits
- Review ABC Board reporting and documentation reports
- Visit the store(s)
- Interview key ABC Board personnel

Taylorsville is the county seat and largest incorporated community in Alexander County. The town is known for its historic downtown, annual Apple Festival, and access to outdoor recreation. The town's population according to the 2020 census was 2,390 residents, up approximately 3% from the 2010 census. The Taylorsville ABC Board operates one store and is one of two boards with a store in Alexander County.

The board was authorized by Chapter 549 of 1965 Session Law. A referendum was held on August 24, 1965, and passed 363 to 248. The first retail sales occurred on December 1, 1965. A mixed beverage election was held in 2008 but did not pass. A county wide mixed beverage election was held in 2016 and passed 10,441 votes to 7,689.

In 2012 the board merged with the Catawba County ABC Board. In 2024 the Taylorsville Town Council and the Catawba County Board of Commissioners asked for a dissolution of this merger. Effective January 1, 2025, the Taylorsville ABC Board was re-established as a stand-alone board. The board consists of two members and a chairperson appointed to serve three-year staggered terms by the mayor and town council. Current board members include Jason Durmire, Chair, Kevin Elder, and Christy Meredith, members.

This is the first performance review for the Taylorsville ABC Board. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.

OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On January 13, 2026, ABC Commission Program Analyst Edwin Strickland visited the Taylorsville ABC Board and interviewed the General Manager, Diane Martin. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



42 NC Hwy 16 S., Taylorsville

FINANCIAL ANALYSIS

- In fiscal year FY 2024-2025, the Taylorsville ABC Board operated independent of the Catawba County ABC Board from January 1, 2025, through June 30, 2025, with their store re-opening in February 2025. While the board operated only in a portion of the calendar year of 2025, for the purposes of this report, the data and narrative are described as fiscal year 2024-2025.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

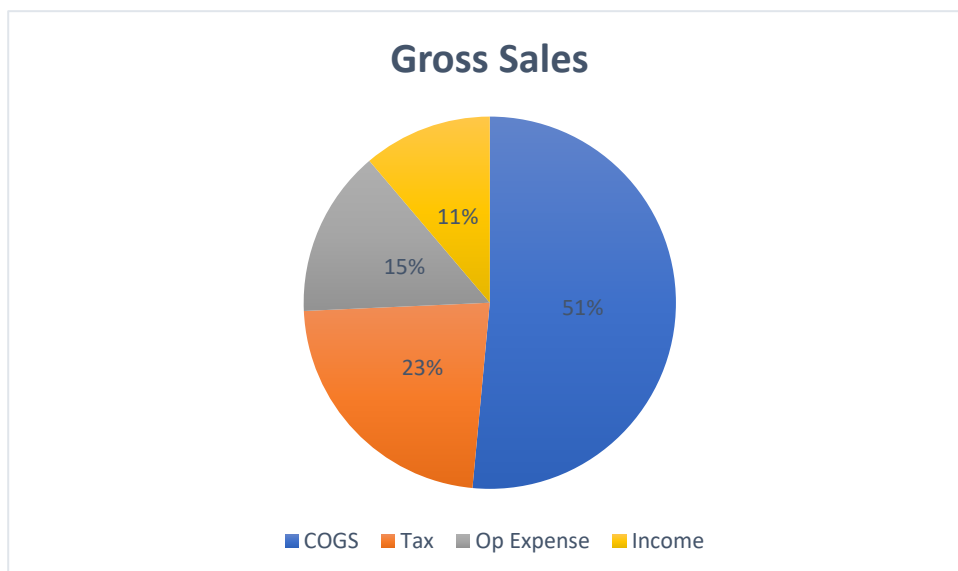
- In fiscal year FY 2024-2025, the Taylorsville ABC Board had a profit percentage to sales ratio of 11.19%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%.
 - For the five-month period, the board's total sales were \$676,263.
- Taylorsville ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .55 in FY 2024-2025. The NC ABC Commission standard for ABC Boards with one store and mixed beverage sales is .73 or less.
 - Operating cost ratio is calculated by dividing total operating expense less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).
- Thus, the Taylorsville ABC Board meets both the profitability standard and the operating cost standard set by the NC ABC Commission for FY 2024-2025.
- Below is a chart showing gross profit on sales, total operating expenses including depreciation, and income from operations.

	FY 2024-2025	FY 2023-2024
Gross Profit on Sales	\$173,925	-
Total Operating Expense	(\$98,257)	-
Income from Operations	\$75,668	-

INVENTORY TURNOVER

- The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set these goals for determining an effective rate based on the frequency of deliveries.
 - Once a week deliveries target at 6 times or more per year
 - Twice a month deliveries target at 5 times or more per year
 - Monthly deliveries target at 4.5 times or more per year
- The Taylorsville ABC Board receives shipments twice a month with a target inventory turnover rate of 5. The inventory turnover rate in (FY) 2024-2025 was 3.5, which is somewhat below the goal.

- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy-six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, debt service. or as additional distributions beyond the minimum requirement.



- *Factors affecting sales:*
 - There are eight ABC Boards with at least one store within a 30-mile radius of a Taylorsville ABC Store.
 - A 3.8% unemployment rate in Taylorsville in June of 2025, down .1% from the previous year. *The North Carolina Average in June 2025 was 3.7%.*
 - The board currently has three active mixed beverage customers. *In FY 2024/2025 mixed beverage accounted for around 2% of gross sales.*
- *Factors affecting expenses:*
 - The board did not pay rent during FY 2024-2025 but began as of July 2025.
 - Total operating expenses were around fourteen- and one-half percent (14.5%) of total annual sales.
 - Board salaries were about eight percent (8%) of total annual sales.
 - Cost of Goods Sold (COGS) was 51.5% for the fiscal year with a normal range being 52% to 54%.

BUDGET ANALYSIS

	FY 2024-2025 <i>Budget Projections</i>	FY2024-2025 <i>Actual</i>	Variance	Variance %
Total Revenues		\$676,263		
Total Expenditures		\$640,432		
Distributions		\$6,288		
Revenue over/under Expenditures & Finance		\$29,543		
After Reconciling Items		\$67,137		

- The board did not submit a budget for FY 2024-2025.
 - The change in net position during the fiscal year was \$67,137, which is the *collective net position as of June 30, 2025*.
- Based on sales trajectory for the current fiscal year with six months (50%) of the budget year completed, the board is tracking at around 53% of annual budgeted sales.

DISTRIBUTIONS

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients. Some of these distribution percentages are designated by an official local enabling act (and thus distribution requirements and recipients are subject to vary).*

- In FY 2024-2025, Taylorsville ABC accrued funds for other statutory distributions totaling \$6,288 (Net profit distribution recipient(s) received \$0 *per agreement with the town board*).
- Accruals for law enforcement totaled \$2,699 and alcohol education accruals totaled \$3,589.
- The amount of \$154,200 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Alexander County.
- Per the local enabling act, the distribution formula for recipients of net profits is as follows:
 - 100% to Taylorsville General Fund

WORKING CAPITAL

- G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system.
 - NCAC 15A .0902 sets a working capital maximum standard for boards with annual gross sales less than \$1.5M as an amount equal to four (4) months of gross sales.
 - G.S. 18B-702(g)(3) defines "Working Capital" as the total of cash, investments, and inventory less all unsecured liabilities. As it pertains to working capital computation, gross sales mean gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).

- Based upon the existing rules, as of June 30, 2025, the Taylorsville ABC Board is required to maintain a minimum working capital of \$20,079 with a maximum working capital amount of \$174,021.
 - The Taylorsville ABC Board had a working capital balance of \$29,542, which is more than the minimum per Commission requirement for this section (*).

*** FY 2024-2025: Working Capital (WC) Graphic**



- Under G.S. 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

The findings for personnel, operational & administrative compliance are as follows:

Board Members

- The board consists of two members and a chairperson, each receiving compensation for their services at or below the maximum allowed for compliance with G.S. 18B-700(g).
 - Current board members' terms are staggered to comply with G.S. 18B-700(a).
 - All are compliant with ethics training requirements with one recently appointed member needing to fulfill the requirement in the coming months.
 - Members have not taken an oath of office per G.S. 11-7. Copies of the oaths need only to be available at the board's administrative office.
 - Members have professional experience in business, law enforcement, and non-profit administration.
- Meetings are generally held on the fourth Tuesday of each month, and announcements for the meetings are posted in the store.
- Meeting minutes were reviewed and determined to provide adequate detail to allow a reasonable person to follow the actions and discussions of the meeting.
 - *While understood by board members, the conflict-of-interest statement is not included in meeting minutes.*
 - Financial data is presented by the general manager and discussed at board meetings to include sales and comparisons, profit and loss statements, and balance sheets. *The board should consider reviewing budget to actual comparisons periodically at board meetings.*
 - Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld. Boards should also routinely review any notes and recommendations provided by the CPA firm on annual audits.
- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store locations.

Law Enforcement

- The board has entered into a law enforcement contract with the Taylorsville Police Department.
- Law enforcement reports are submitted regularly by the general manager but do not contain applicable data for accountability as outlined in G.S. 18B-501(f1).
 - The board should consider reviewing the reporting requirements with their contracted law enforcement agency which specifies the agency should be reporting the provisions of the statute to the board monthly.

Board Personnel

- The board typically staffs six people with the general manager as, currently, the only full-time employee.
- The General Manager/Finance Officer is responsible for all board operations including many accounting related activities. She has completed her ethics training requirement, and her salary is compliant with G.S. 18B-700(g1).
 - The general manager has been with the board since the reopening of the store in 2025 and has previously worked at two other ABC Boards.
- The board utilizes an accounting service for general accounting oversight including reconciliation, taxes, and payroll.
- All other store employees are sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- Training for new employees begins with the general manager reviewing work expectations, general policies, and products.
 - On the job training is mentorship styled by the manager and other employees.
 - The general manager is currently cross training an employee for administrative support and other operational tasks.
 - RASP training has been attended by all team members.
- A file for each employee is kept in the administrative office to include tax and other employment information, personnel manual acknowledgment forms, and performance reviews as applicable.
- No conflicts pertaining to nepotism found and per discussion with the general manager.

Policies

- The board has a thorough personnel manual which covers the requirements of Rule 15A .1006 and additional work and behavioral expectations.
- To comply with G.S. 18B-706(a), the board should adopt a code of ethics policy and provide a copy to the Commission.
- Other policies that should be considered by the board include: price discrepancy, credit card usage, mixed beverage sales, allocated product sales, and a shelf management plan.
- For travel, the board follows the state travel plan per G.S. 18B-702(g2), with reimbursements made pursuant to G.S. 138-6.

Operations

- Board personnel conduct full inventory quarterly with additional spot checks.
 - Counts are made using scanners with the manager and additional team members participating.
 - Discrepancies are recounted and the general manager is responsible for adjustments.
 - *A sample of products was inventoried during Commission visit with no significant variances noted.*
 - Slow moving products are repositioned in the store.
- The board receives deliveries of liquor on the second and fourth Monday of each month.
 - Pallets are dropped and down stacked using scanners.
 - Any variances are recounted and balanced against stock before discrepancy reports are sent to LB&B.
- The General Manager makes the liquor orders by reviewing stock status and a two-week sales history. *After preparing the order, the manager walks the store to ensure nothing was missed.*
 - Monthly special price lists are reviewed and buy in investments are made or considered.
 - Special order requests are provided to the general manager and often ordered.
- The board retains breakage reports and includes the reports for credit with their suppliers. Although the board does not frequently have many breakage reports, for compliance with Rule 15A 1701(c), board personnel should email copies of any reports to the Commission quarterly.
- The board currently has three active mixed beverage customer accounts.
 - Orders are taken by phone or, two permittees, often visit and browse the store and place their order in person.
 - Pulled and stamped orders are checked for accuracy and orders are rechecked at the transaction with the permittee.
 - Invoices are provided to permittees and signed copies are retained in a file for each account.
 - The board stamps bottles as required by NCAC 15A .1901.
- Mixed beverage customers are given the opportunity to purchase allocated products with others being shelved randomly.
- The board has held tastings and plans to continue.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed twice monthly by the general manager through the board's bank pay service.
- Stamps have been purchased to facilitate the required preaudit (G.S. 18B-702(m)) and disbursement (G.S. 18B-702(q)) certificates. Commission staff will work with the board at a future meeting to clearly define the implementation of these certificates as it pertains to the statutory obligation(s) of the finance officer or the possibility of finalizing a dual role designation for the general manager to also be the finance officer.
- The general manager makes many of the primary distributions.
- The board has credit card(s) issued to the general manager and a board member. All receipts are retained and the account is paid in full monthly by the accounting service.
- Cash-handling procedures are in place, and some are covered in policy.
 - Sales associates are responsible for counting tills, including during shift change, and the board has an overage and shortage policy.
 - The deposit is compiled from the different till drops and taken daily to the bank, including Saturdays.
 - The General Manager routinely verifies actual deposits match the register totals.
 - The board's accounting agency conducts full monthly reconciliation for accounts.
 - *A small sample of recent deposits were reviewed with no significant variances noted.*
- Payroll is processed every two weeks by the accounting service and through ADP.
 - The General Manager submits hours based on the schedule and the board is planning to purchase a time clock for more accurate tracking.
- The annual CPA audit was received by the Commission on September 24, 2025.
- All board members and applicable personnel are bonded for at least \$50,000 per G.S. 18B-700(i).
- The board accrued funds for but did not make an alcohol education distribution in FY 2024-2025. The board is now making this statutory distribution to the local Dare program. *For general accountability and full compliance with G.S. 18B-805(h), the board should include in their meeting minutes how these funds are to be spent and verify any person or agency receiving funds from the board reports to the board at least annually describing how these funds were spent.*

STORE INSIGHT & OVERVIEW

- The board's store and administrative office is a free-standing building located on a major thoroughfare near an intersection in the town's downtown commercial area.
 - Parking is limited but generally adequate with additional possible parking spaces adjacent to the board's property.
 - ABC is displayed on the awning, and the exterior area is free of trash and debris.
- The interior of the store is well lit and organized.
 - Floors and shelves are clean, and the counter is not overly cluttered.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is prominently displayed.
 - A quarterly price book is available at the counter with an SPA pricing list available upon request.
 - Special colored shelf tags highlight items that are currently on sale.
 - Category signs are prominently displayed, and endcaps and other displays are utilized.
 - North Carolina products are found in their corresponding category with special shelf tags.
- Shelf management practices are mostly implemented.
 - Products are fronted, dusted, and in their designated category.
 - Premium products are generally found at eye-level or top shelf.
 - Bottles are generally arranged so they increase in size left to right of the same item.
 - Shelf space for products is set to follow the factors identified in Rule 15A .1708(5).
- A sample of more than 100 items were selected to determine if uniform pricing is displayed. Of those selected, a few items' shelf tags didn't match current pricing.
- Price discrepancies should be handled in the customers favor if the shelf tag were to be lower than the current price mandate and the customer objects.
- Sales associate interactions with customers are attentive, courteous, and the staff are eager to meet the needs of the customers.
- The store is open daily from 9:00 am until 9:00 pm Monday through Saturday.
- All stores are closed every Sunday, the five previously required holidays, Easter Monday, and Memorial Day.
- Security systems are in place and functional in all designated areas to include alarms, cameras, and panic buttons.

REQUIRED ACTIONS

- Item #1: To comply with G.S. 18B-706(a) the board should adopt a policy containing a code of ethics consistent with the provisions of G.S. 18B-201, to guide actions of the board members and personnel in the performance of their official duties.
- Item #2: Board members should take an oath before taking office or before the execution of the duties of the office per G.S. 160A-61 and G.S. 11-7. *Once completed, a written account of the oaths should, please, be available at the board's administrative office.*
- Item #3: To avoid possible conflicts of interest, it is recommended that at the beginning of each board meeting, the Chairperson asks fellow board members if there are any potential conflict of interest regarding agenda items. The following statement should be included in each board meeting's minutes. "In accordance with G.S. 18B-201, it is the duty of every board member to avoid both conflicts of interest and the appearance of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today?"
- Item #4: The board should work with their contracted law enforcement agency to establish law enforcement reporting to comply with the provisions of G.S. 18-B-501(f1). Reports are to include as applicable the number of arrests made for ABC law, number of agencies assisted with ABC law, and other metrics for ABC law contribution such as compliance checks and alcohol education classes presented.
- Item #5: Board should work to ensure shelf tag prices match the cash register price. *Price checks could be completed each quarter or for monthly price changes and could be incorporated in routine inventory spot counts.*
- Item #6: In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.

RECOMMENDATIONS

- The board should consider adopting the following written policies. *Written policies can serve to strengthen internal controls and as good guidelines if updates are made or are being considered to the procedures already in place.*
 - Credit card usage.
 - Mixed beverage sales.
 - Price discrepancy. Reference Rule 15A-1705(b).
 - Shelf management. Reference Rule 15A-1708.
 - Allocated product sales.

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
 - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by September 30th of each year.
 - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc.
- ABC Boards are required to work within general minimum and maximum limits for working capital, as established per Commission Rule NCAC 15A .0902(a)(2). When ABC Boards exceed maximum working capital in any given FY due to planned capital improvements, please secure written approval from the applicable County or Municipal authorities per N.C.G.S. 18B-805(d) and forward to the Commission. As best measure, securing documentation prior to exceeding maximum working capital would be the most ideal approach.
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) and Rule 14B 15A .2001 in a prompt manner and before the twelve (12) month mandate. *One board member currently needs to complete training in the coming months.*
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per G.S. 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.

ABC Commission
400 E. Tryon Rd.
Raleigh, NC 27610

04/10/2026

We appreciate your support and recommendations from the audit recently performed. This performance audit will help us with the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1: *****

The board has submitted a code of ethics policy to the Commission as required by G.S. 18B-706(a)

Item 2: *****

All members have taken oaths of office and copies are maintained at the board office.

Item 3: *****

The board will comply with G.S. 18B-201 and include the no conflict of interest statement in their written board minutes.

Item 4: ****

The board will discuss accurate reporting with their contracted law enforcement agency, and work to reestablish accurate law enforcement reporting for accountability.

Item 5*****

Board personnel will continue to monitor shelf tag prices for accuracy.

Item 6*****

The board has forwarded the Certificate of Accountability to the Commission with this letter.

Sincerely,

Diane Martin/ General Manager
Taylorsville ABC Board

2 24 2020
Month Day Year

Taylorsville ABC Board.
ABC Board

Certificate of Accountability

This document assures this Board and the State of North Carolina that the following statutory duties required of local ABC Boards have been properly performed.

1. The system has complied with all State uniform pricing requirements pursuant to NCGS §18B-804.
2. That all alcoholic beverages sold have been approved by the Commission for sale in this State pursuant to NCGS §18B-800.
3. That all "gross receipts" pursuant to NCGS §18B-805(a) have been properly accounted for and are lawful.
4. That all taxes due and board expenses have been properly and timely paid pursuant to NCGS §18B-805(b).
5. That all distributions pursuant to NCGS §18B-805 have been properly and timely paid.
6. That the finance officer for the board has properly performed all duties as required pursuant to NCGS §18B-702(k).

Ronan Mall
General Manager

Ronan Mall
Financial Officer

J. [Signature]
Chairman

Christy M. Meredith
Board Member

[Signature]
Board Member

Board Member

Board Member